

**The Honorable Scott Perry**  
**Member of Congress**  
**4th District, Pennsylvania**

**CBO Oversight: Member Day**  
**House Budget Committee**  
**March 7, 2018**

Thank you for allowing me time to speak before the Budget committee today. Members of Congress and the American people should be able to rely on the fiscal analysis of all legislation as accurate. However, the fiscal analysis provided by the Congressional Budget Office (CBO) is consistently incorrect and has had numerous detrimental policy implications on a variety of policies over the years.

Most recently, the CBO came under renewed criticism as Congress continued its push to repeal and replace the Affordable Care Act/Obamacare (ACA) in 2017. In 2010, the CBO projected that 21 million people would enroll in exchange plans by 2016. The actual 2016 enrollment was 10.4 million. They missed the mark by over 50 percent.

Additionally, in 2016, the CBO projected 22 million Americans would lose health insurance under the House Republican replacement proposal for the Affordable Care Act, while ignoring the fact that 19 million people either paid the penalty or claimed an exemption from the individual mandate. Even the Speaker called the accuracy of the CBO projections into question.

Another example that comes to mind is from 2015, when Congress authorized the Federal Communications Commission (FCC) to auction off portions of the electromagnetic spectrum by voluntarily asking public broadcasters to surrender unused space to mobile data providers, including cell phone companies. This auction generated over \$40 billion in revenue for the federal government. The CBO score indicated that this would yield no revenues to the federal government.

Even worse than the incorrect outcomes themselves, is the lack of transparency of the process that gets these results- we have no idea why these projections were so inaccurate.

We face 4 critical problems with the CBO scoring, which must be addressed to ensure the accuracy of projections in the future:

- **1. Keynesian Assumptions**
  - Since its inception, CBO's economic models have been based on assumptions that more government spending nearly always yields faster economic growth (the so-called Keynesian "multiplier").
  - Unfortunately, these Keynesian economic policies have failed in real life.
  - On the other side of this same coin, the CBO underestimates the benefits of market forces in reforming government programs.
- **2. Lack of Transparency**
  - To add to this difficulty, the formulas the CBO uses are not public and they can't even be evaluated independently.
- **3. Baseline Budgeting:**

- The use of “baseline” budgeting is flawed and often construes government spending increases as a given prior to the appropriations process. This results in a distorted view of what is or isn’t a funding cut. If the funding is off base on the assumed, but not authorized or appropriated, funding level, any reduction from the assumption becomes a cut. This is a misnomer and unfairly strikes fear into the hearts of vulnerable populations, our seniors and our military, while simultaneously encouraging more unfunded spending.
- **4. Ensuring Efficacy**
  - Even worse, we don’t have a metric to determine the efficacy of the CBO. There is no empirical data to show Congressional decision making has improved as a result of the CBO. However, it is safe to say, fiscal responsibility has significantly decreased in the time since its establishment.

While I respect the impartiality of the Office, I have deep concerns that this process is flawed, as demonstrated by the examples above. This is directly limiting our ability to address the pressing issues facing the American people and we need transparency in the process. Thank you for letting me address this committee today.